



Commonwealth of Massachusetts

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

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ORGANIZING FOR ECONOMIC DEVELOPMENT MODELS AND OPTIONS

Introduction: Communities seeking to undertake and implement their community/economic development (development) goals and objectives have a wide range of organizational structures from which to choose. In selecting an organizational structure to undertake development, two key principles must be understood:

- The appropriate type of development organization(s) differs for every community. The actual choice will depend on the particular circumstances in each community.
- Development involves a diverse range of activities that may require a diverse range of institutions. A single economic development entity may not be able to carry out all of the activities required as part of a city, town or region's economic development agenda.

Each community in Massachusetts must design its own local organizational structure to achieve its economic development goals and objectives.

- Choose an organizational structure that fits your economic development strategy. Some are narrowly focused while some allow for a broader set of activities to be undertaken. The most fundamental difference among the different models involves the types of activities that they are eligible to undertake.

Consider which economic development strategy is most **relevant** to your community and which tools are needed to implement that strategy.

Identify which economic development organizations have the **capacity** to provide those tools.

- Choose an organizational structure appropriate to the geographic scope of the economic development problems being addressed -- neighborhood, municipal, regional.
- Choose an organizational structure that brings together the public and private sector stakeholders appropriate to the problems being addressed and appropriate to the proposed activities.

Problem: Few economic development participants operating within a municipality actually *coordinate* activities or operate under any *comprehensive plan* or system in which economic development policy and strategies are formulated and implemented.

Mechanisms to coordinate economic development efforts may be as simple as designing an improved communication system among municipal departments/agencies or using overlapping membership on part-time boards and commissions, or as complex as centralizing staffing and recordkeeping or establishing new municipal departments formed, staffed and mandated to undertake all economic development activities previously undertaken by separate agencies. In either case, it should be a system through which comprehensive economic development policy is defined and implemented.

- **Local economic development systems are fragmented.** Traditional municipal functional agencies such as sewer, water, roads, building inspections and human services; numerous elected or appointed quasi-independent bodies such as the planning board, conservation and historical commissions, redevelopment, boards of assessors and health; and other entities that have a direct or indirect relationship to economic development; do not, by themselves, have the capacity or the authority to deal comprehensively with economic development issues.
- **There is a confusing proliferation of economic development organizations and programs.** This often results in duplication or conflicting goals and objectives. Economic development requires a comprehensive approach that cuts across organizational boundaries.
- **There is often no clearly articulated and achievable goals or vision to direct or channel decisions made about economic development issues.** This contributes to fragmentation and ad hoc decision making.
- **Municipalities remain locked in reactive rather than proactive postures.** The issue of organizational structure often presents itself when an economic development opportunity or problem arises and there isn't enough time to undertake a strategic planning process.
- **Economic development is complex.** It requires increasing levels of expertise in such areas as financing, real estate development, hazardous waste remediation, retail recruitment and employment and training. Economic development is a lengthy process often taking years from inception, planning and implementation. Economic development also involves a diverse and often changing group of public and private sector actors. Limited staff capacity and the local reliance on volunteer labor make it difficult for municipal actors to effectively participate in economic planning and decision making.

Public intervention in economic development has been necessary because the efforts of private enterprise have not provided, and in some cases cannot provide, the necessary impetus to economic growth and development.

Problems including the assembly of suitable building sites, the provision of adequate public infrastructure & utilities, the unavailability of sufficient private capital for development and the inability of private enterprise alone to plan, finance and coordinate development projects, have made it difficult for private enterprise to lead the development process.

Organizational Models and Options: Major differences among the variety of economic development organizational structures include their purpose, legal structure, range of eligible activities, management and staffing and sources of funding.

1. Quasi-Public Agencies: *A quasi-public institution is publicly chartered, but governed by an independent board comprised of public and private sector representatives.* Since the majority, or all, of

the board is appointed by local and state public officials, the public sector still maintains ultimate control over the direction of the institution.

- Quasi-public agencies centralize economic development activity and authority primarily outside the control of the local chief executive, as an *independent body, corporate and politic*. State statutes (e.g., M.G.L. Chapters 121B and 121C) are specific in granting major powers to an independent body not within a municipality's executive purview. They were created intentionally out of the mainstream of the political process in order to limit the ability of local governing bodies to exert control over their actions.
- Total control over the development process by elected officials serving short terms can lead to transient political considerations taking precedence over long-term economic growth considerations.
- Economic development should have some degree of separation from the political decision making process (e.g., staggered terms for board members makes it difficult for one political leader to gain control) and remain insulated from intensive political pressures.
- Economic development often requires a level of professional expertise (e.g., financial, real estate, human services) that the public sector working on its own, or one agency within a city or town, is often unable to assemble.
- Quasi-public institutions have more flexibility in their staffing and management than municipal line departments/agencies.
- Quasi-public institutions have many of the same powers as public agencies such as the ability to issue bonds secured against revenues from their programs and the power of eminent domain.
- However, independent status of quasi-public institutions has often resulted in strained relations among the various entities working on community and economic development.

2. Public Agencies: *In some communities there is a very clear public agenda that has been developed.*

Local political leaders often have a specific concept of how development should occur in a community. They may also believe that they have a political mandate from the residents to pursue their vision of the community's development.

- Exercise strong local control and public oversight over economic development process.
- Coordinate a myriad of municipal agencies and other entities involved either directly or indirectly with economic development.

3. Public-Private Partnerships: *A partnership can be organized as standard non-profit development organizations or they can seek special charter legislation from the Commonwealth.* What distinguishes a partnership from governmental agencies and private sector organizations is that the board is not appointed by the public sector, but rather elected by its membership that includes representatives of both the public and private sectors.

- The resources of the public and private sectors are often complementary.

- Combined public-private involvement brings a balance of perspectives to the organization. If successful, this outreach can result in broad-based support throughout the community for an economic development project.

M.G.L. CHAPTER 121B -- REDEVELOPMENT AUTHORITIES

Most of the Redevelopment Authorities operating in Massachusetts were created to take advantage of the federal Urban Renewal Program, serving as vehicles for carrying out the federal mandate to eliminate blight from inner cities. Although the federal Urban Renewal Program no longer exists, Redevelopment Authorities continue to play a role in revitalization efforts under the state c.121B Urban Renewal Program.

Chapter 121B allows municipalities, through Redevelopment Authorities, to eliminate/develop substandard, decadent or blighted open areas for industrial, commercial, business, residential, recreational, educational, hospital or other purposes. Chapter 121B places great importance on the achievement of socio-economic development such as the provision of jobs for the unemployed, the addition of tax revenue to overburdened communities and/or the assemblage of developable parcels of sufficient size for the expansion or siting of industry or business.

Redevelopment Authorities have broad powers to plan and implement activities needed to redevelop underutilized, deteriorated or blighted open areas including the power:

- to establish rehabilitation and design standards
- to assemble and dispose of land, including the taking of real estate through eminent domain;
- to relocate businesses and residents occupying urban renewal sites;
- to demolish and/or rehabilitate substandard structures;
- to participate in real estate development and commercial revitalization
- to issue bonds, borrow money, and invest funds
- to receive grants and loans
- to accept gifts or requests

Redevelopment Authorities are particularly effective in large-scale and complex redevelopment projects and land assembly. The ability to use eminent domain powers make Redevelopment Authorities powerful tools for commercial revitalization, industrial park development, infrastructure improvements, facilities renovation and brownfield site remediation.

The process of appointing the board of a Redevelopment Authority is controlled by the public sector. In cities, the city council must confirm members appointed by the mayor or city manager. In towns, the board of selectmen must confirm members elected at a town meeting. The Commonwealth, through DHCD, appoints one member of the Redevelopment Authority board. Staffing levels vary depending on the size of the municipality and the type of activity undertaken according to an Urban Renewal Plan. At minimum, most Authorities consist of an executive director and a planning/ administrative assistant.

A Redevelopment Authority is not an agency of a municipality and therefore, does not answer directly to the chief executive. This affords the Authority more autonomy in planning and implementing revitalization programs.

The development of an urban renewal plan is necessary for a Redevelopment Authority to undertake specific projects. An urban renewal plan is subject to extensive public scrutiny. There are also very specific requirements in the c.121B regulations and in the state implementing regulations, 760 CMR 12.00, detailing the content of the urban renewal plan. Municipal officers and DHCD must all approve the urban renewal plan before it becomes effective thereby allowing the Redevelopment Authority to begin its implementation.

M.G.L. CHAPTER 43C -- COMMUNITY DEVELOPMENT DEPARTMENTS

Community Development Departments are consolidated offices within municipal government charged with the broad range of duties and tasks, both direct and indirect, involved in community and economic development. A municipality may create a community/economic development department through either Special Act of the Legislature or by local ordinance or by-law. A Community Development Department may be created by establishing a new organizational structure, building or improving upon existing communication practices, creating a “cabinet” type structure of all affected departments, commissions, boards, etc., or designating one agency to be “first among equals” in coordinating all relevant activities and programs.

Special Acts - c.43C: Section 12 of M.G.L. Chapter 43C, a “local option” statute, enables municipalities to create consolidated departments of community development that encompass all offices, agencies or entities participating in community development. A Community Development Department may perform all the functions of the offices, agencies or authorities whose functions have been superseded by the creation of the department.

Under c.43C, a community is able to assume the legal powers and duties of the numerous quasi-independent bodies operating at the municipal level and place such authority into a line department directly responsible to the chief executive. Consolidating the responsibilities and powers of the Redevelopment Authority (c.121B), the Planning Board (c.41), the Economic Development and Industrial Corporation (c.121C), the Industrial Development Finance Authority (c.40D) and any other municipal office, agency or entity engaged in community and economic development activities, serves to coordinate efforts. The coordination encourages a comprehensive planning and implementation approach to development. Chapter 43C also provides a local adoption process for accepting the provisions of Section 12 and requires passage of an ordinance or by-law to establish the Department.

Although many of the provisions are similar, most Community Development Departments reflect specific community goals, the predominant concerns of the community for ensuring that the Department will meet a local need and a continuation of the state/local community and economic development relationship. They are also able to achieve local coordination and control of community economic development activities.

Not all Community Development Departments consolidate the same agencies when they are formed. Reorganization may take many forms. For example, the quasi-legislative power of subdivision control, the power of eminent domain, the authority to purchase property for private sale or lease can be concentrated into one individual or body, responsible to or outside the control of the local chief executive. This decision must be resolved at the local level.

A Community Development Department may be authorized to undertake a wide range of activities including:

- planning
- acquire land through eminent domain
- improve property
- sell, lease, mortgage, transfer, exchange or otherwise dispose of property
- borrow money, invest money and issue bonds
- receive grants, loans or advances from federal/state/local government
- pledge the credit of the municipality
- finance pollution control facilities
- manage projects
- act as the Urban Redevelopment Authority under c.121A
- perform long-range physical, transportation, and human services planning
- determine land use and zoning restrictions
- enforce municipal codes
- perform inspections

Although they potentially possess the same range of powers as quasi-public institutions, the powers of Community Development Departments are somewhat circumvented because they function as municipal line departments subject to the oversight and control of the chief executive.

Chapter 43C stipulates that a Community Development Department must have an appointed director and a Community Development Board. The Commonwealth through DHCD must appoint one Board member. The Board may act as the Community Development Authority. In many cases, the Director of the Community Development Department becomes a one-person Authority. In the special acts creating Community Development Departments, the department is subject to an oversight/policy setting board/body.

A number of communities have consolidated and reorganized for the purposes of creating an effective and responsible community and economic development system. Among these are Arlington, Chelsea, Lawrence, Lowell, Lynn, Marlborough, Medford, Methuen, Milford, Newton, Peabody, Quincy, Springfield, Ware, Wareham, Weymouth and Worcester.

- **A strong community development board option:** If centralization of community development activity and authority functioning primarily outside the control of the local chief executive is determined desirable, then the municipality might consider the creation of a quasi-independent local board vested with broad authority that exists in the various local entities presently charged with development activity. The community development board could maintain its own professional and administrative staff which would be directly responsible to the board and which would operate outside the control of the existing municipal personnel system. This would allow the community development system to operate in an efficient manner with flexibility in its operation.

For example, Pittsfield established a Community Development Board to act on special permits applications, subdivision approvals, site plan reviews, approval of issuance of industrial revenue bonds, rezoning, urban renewal plans, c. 121A tax agreements and other matters that come before the board.

- **A strong community development line agency:** A municipality desiring to set up a system that would consolidate development activity and authority but not one which would possess the same properties of insulation and independence from the local chief executive's control, may consider placing the full discretionary authority and necessary powers of implementation into a line agency of the chief executive, staffed by a director of community development. The director might be vested with any or all of the discretionary authority currently provided for in Chapters 121A, 121B, 121C, 40D, and 41, redevelopment, economic development, industrial development, financing and subdivision review powers respectively. Other powers that are found in the legislation authorizing planning boards, historical commissions, conservation commissions or other local community development related entities might also be vested in the Community Development Department.

This is potentially the most powerful community development system as it places the discretionary authority of various aspects of community development into one department. In order to maintain a certain degree of balance over local development activities, the authority for project review and approval, bond authorization and the use of eminent domain powers may be placed within the offices of the city council/mayor and board of selectmen. By dispersing authority outside the line agency, control of development powers can be realized without continuous interference with basic policy formulation, planning activities, project and developer selection and project execution.

Many Community Development Departments create Community Development Boards to assume the functions of the Planning Board. They also create Community Development Authorities as single member authorities in order that bond and note issues of the redevelopment authority may continue. Also, future obligations of any authority that is incorporated into the new Community Development Department will be undertaken by the Community Development Authority. **This is necessary because legally, the Community Development Authority is not considered part of the municipal government and therefore, does not secure its projects with the general taxing power of the municipality.** Furthermore, an Authority, so created, can assume any future changes in state enabling legislation that has been incorporated into an "authority."

Municipal Ordinance/By-Law: A municipality may create a community/economic development department through an ordinance/by-law. Under the ordinance/by-law approach, the consolidated community development office would not possess any legal authority of implementation. This authority remains with the individual boards, commissions, authorities and corporations that possess powers and authority allowed by state legislation. Community Development Departments created by ordinance/by-law have primarily grant administration and planning functions for those activities where no state powers are being exercised. The responsibility for the community/economic development function may be vested in some entity within municipal government, whether it is an individual or a department.

However, the traditional local functional agencies do not generally have the capacity or the authority to deal comprehensively with community and economic development issues. The problem remains: How to coordinate these various actors into an effective community development system at the local level?

Reorganization includes determining:

- Which municipal bodies are involved in issues that affect community/economic development;

- Which aspect of development they are concerned; and
- The relationship of each to the other in respect to legal requirements and actual practices.

Convening regular meetings of community development-related municipal agencies/entities will help clarify policy directives and ensure that they are communicated in a consistent manner. A coordinated communication system is important because it can serve to promote mutual goals and concerns and build awareness of the benefits of joint, rather than independent, pursuit of local municipal interests. Communication links should also be established with quasi-public and other entities operating independently of municipal government so that working relationships of mutual benefit can be forged.

Background: Historically, many municipal agencies handling problems within the scope of community and economic development were created in response to programs funded by the federal government. Others were formed to carry out certain functions as directed or authorized by state legislation. Forced by the very specific nature of these federal categorical grant programs (e.g., grants including open space, urban beautification, historical preservation, water and sewer, urban renewal and

rehabilitation loans) and state initiatives to think project by project, community development was perceived and handled in fragmented and specific terms. Working independently within specific functional areas, most operated outside the authority or control of the local chief executive.

This changed in 1974, when many federal categorical programs were consolidated into block grants (Community Development Block Grant Program) for community development. These grants were sent directly to local chief executives instead of individual functional agencies. In contrast to earlier practices, municipalities administered CDBG funded projects through existing or newly formed line agencies directly responsible to the chief executive. In addition, under the block grant program, the meaning of community development was expanded to include a comprehensive physical, social and economic process and funds were available for a wider range of development activities.

Consequently, many municipal agencies were seen as having an impact on community development including sewer and water commissions, park commissions, historic commissions, conservation commissions, planning departments, planning boards, redevelopment authorities, human service agencies and building inspectors. At the same time, redevelopment authorities, among others, were created intentionally out of the mainstream of the political process in order to limit the ability of local governing bodies to exert control over their actions. This has often resulted in strained relations between the various entities working on community and economic development activities.

M.G.L. CHAPTER 121C - ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATIONS

Under M.G.L. Chapter 121C, municipalities may establish EDICs to undertake development projects that eliminate and redevelop decadent, substandard or blighted open areas, create jobs to decrease substantial and persistent unemployment and stabilize communities. Local economic development projects must be implemented in accordance with economic development plans in designated economic development areas. Section 3 of c.121C authorizes the formation of consolidated EDICs by two or more municipalities.

Among the various entities that may be created under M.G.L. to facilitate development, EDICs have the strongest development powers. However, in contrast to the broader scope of projects allowed under c.121B, EDICs are restricted to industrial and manufacturing development. EDICs are authorized to:

- undertake economic development project planning and implementation
- acquire land through eminent domain
- develop, sell, convey, lease, mortgage, transfer or exchange property
- borrow and invest money and issue corporate as well as revenue bonds
- receive grants, loans or advances from federal/state/local government
- pledge the credit of the municipality
- finance pollution control facilities
- manage projects
- act as an Urban Redevelopment Corporation under c.121A

EDICs were originally created for the purpose of redeveloping blighted industrial areas in older cities and in urban areas where, without such a mechanism, viable economic development could not exist.

Manufacturing and industrial sectors of the economy were targeted because of their potential for paying higher wages than wages paid by other labor sectors.

Towns must receive certification from DHCD in order to establish an EDIC. This requirement is not applicable to cities. Similar to a c.121B urban renewal plan, c. 121C stipulates that no activity can occur until an economic development plan has been prepared. In addition, the economic development plan is subject to a local review and approval process. However, unlike a c.121B Urban Renewal Plan, DHCD review and approval is not required for the plan to be accepted and implementation to occur. Although c.121C requires that certain information be included in the economic development plan such as geographical boundaries, goals and objectives and evidence of need, the process is less arduous and less regulated than that required of an Urban Renewal Plan.

Their abilities to accept money, issue bonds and take land by eminent domain for economic development allow EDICs to acquire and assemble parcels of land for the purpose of undertaking small and large-scale development projects.

The board of directors of an EDIC is comprised of seven members appointed by the municipality (city or town executive, with approval by the city council and board of selectmen, respectively), and includes representatives of industrial development, real estate, financing, low-income persons, municipal government and the public-at-large. In contrast to redevelopment authorities, the state does not appoint a member. Staffing is generally dependent on the size of the municipality.

EDICs Hybrids: In order to take advantage of the board powers available to EDICs under c.121C, a number of communities have used c.121C as the basis for special legislation that expands the range of eligible activities beyond industrial and manufacturing to include commercial, business, recreational, social services, educational and other nonindustrial projects. They may also limit the range of powers exercised by these organizational structures (e.g., eminent domain, issue bonds). By using special legislature to design its economic development entity, a municipality is able to add specific features that are relevant to its specific context.

- Everett established the Everett Development and Financial Corporation for the purposes of commercial revitalization and development.

- Amherst included provisions for the development, operation and maintenance of park and recreational land and facilities.
- Salem included possible development options for the city's waterfront area.
- Framingham included exercise of c.121B powers, consultation with the Industrial Development Finance Authority and while targeting the town's central business district, undertaking activities town wide.
- Brockton established the Brockton 21st Century Corporation to expand and revitalize its commercial business districts and to expand its tax base.
- Billerica established the Billerica Financial Development Corporation to expand the town's tax base and to attract new commercial development and business activities town wide and in targeted areas.
- Watertown established the Watertown Arsenal Development Corporation to aid private enterprise or public agencies in the conversion and redevelopment of the former federal military arsenal site including commercial and residential uses.
- Quincy established the Quincy 2000 Corporation to assist and promote the development and expansion of business/commercial activities in targeted commercial districts and to expand the city's tax base.

In this way, EDICs have become the primary economic development tool for many municipalities from which all planning and program implementation originates.

ORGANIZING FOR ECONOMIC DEVELOPMENT QUESTIONS TO ASK

1. What is municipality's organizational structure for economic development?
 - municipal departments
 - quasi-public entities
 - volunteer organizations
 - extra-local entities
2. Who are the economic development stakeholders, local and regional?
3. What is the organization's missions/function?
 - Is this a shared vision or do different stakeholders have different points-of-view.
 - How are differences resolved.
4. What is the organization's jurisdiction?
5. How is its agenda set and implemented?
6. Are there gaps in who/what/where it operates?
7. Are there gaps in what the organization and its stakeholders want to achieve and its mission/agenda of the entity?
8. Who is available to fill this gap?
 - by expanding mission/agenda
 - by finding other resources/entity
9. What models are available?
 - What organizational structure has the capacity to provide the tools needed to implement strategy and meet needs?
 - Is this outside the local organizational structure?
 - How can local structure be expanded to include this model?
9. Is this a long term or short-term solution to problem?
 - Can it be adapted to changing circumstances/needs?
 - How does it "fit" within community structure?